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Australia

Trade Policy Monitoring

Australia Concludes FTA with Singapore

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Report Highlights:

Australia has concluded free trade agreement negotiations with Singapore. The agreement will likely have only a limited impact on bilateral agricultural trade. The agreement indicates the Australian government's interest in pursuing bilateral free trade agreements.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1], AS

Australia has concluded free trade agreement negotiations with Singapore. The Singapore Australia Free Trade Agreement, SAFTA, is expected to be officially signed within the next few months. Negotiations on the agreement began in November 2000 and were originally expected to be completed by October 2001. This is Australia's first bilateral free trade agreement since the Closer Economic Relations deal with New Zealand was concluded in 1983. The SAFTA reflects the Australian government's push to liberalize trade by using bilateral trade agreements, in addition to the World Trade Organization multilateral framework. Australia has also entered into FTA negotiations with Thailand and is seeking to enter similar negotiations with the United States.

The SAFTA will eliminate all tariffs on goods traded between Australia and Singapore and will establish a more open, predictable and transparent framework for bilateral trade and investment. Singapore imposes very few tariffs on goods. Australia maintains tariffs of about five percent on most manufactured goods up to about 20 percent on textiles and clothing. Reportedly, the principal Australian beneficiaries of the SAFTA will be suppliers of services and investors in sectors such as legal, financial and professional services, telecommunications, education and environmental services. The SAFTA also disallows the use of export subsidies and the application of safeguards. Australia-Singapore bilateral trade in goods and services totals about A\$14 billion per year (US\$7.8 billion).

The SAFTA will not likely have any significant impact on bilateral agricultural trade. Virtually all Australian agricultural exports to Singapore already enter the island state duty-free. Singapore's significant tariffs on alcoholic beverages, including beer, will be eliminated under the SAFTA, which will benefit Australian exporters. Australia's import tariffs on agricultural products will be eliminated, benefitting Singapore's agricultural exports that qualify under the SAFTA's rules-of-origin.

The conclusion of the SAFTA and future FTA negotiations with Thailand provides an indication of the Australian government's interest in pursuing bilateral free trade agreements. The opposition Labor party argues that the government should not get sidetracked negotiating FTA's, when the largest benefits for Australia will accrue from multilateral, WTO negotiations. This position is shared by a number of leading agricultural industry groups. FTA negotiations with Thailand, a major producer and exporter of agricultural products, will obviously present greater challenges for Australia in the agricultural sector. The SAFTA provides Australian policymakers with some real-life experience in negotiating a complicated and sensitive FTA with a major trade and investment partner.